

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4019
ANSWERED ON:22.08.2003
NON-BANKING FINANCE COMPANY
BRAHMANAND MANDAL

Will the Minister of FINANCE be pleased to state:

- (a) the number of non-banking companies functioning in the country;
- (b) the number of such non-banking companies which are operating depositing schemes in collaboration with financially weaker sections of the society;
- (c) the number of such companies which are operating recurring deposit schemes with them and which are likely to provide soft term loans for housing purposes on the successful completion of these RDs;
- (d) whether it is compulsory for these companies to seek approval of National Housing Bank or Reserve Bank of India;
- (e) whether the weaker sections are likely to be deprived of their hard earned money in case these companies go bankrupt; and
- (f) if so, the alternative steps proposed to be taken by the Government in this regard ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a): - Reserve Bank of India (RBI) have reported that they have granted Certificate of Registration to 13880 NBFCs as on date. Of these, only 725 companies have been allowed to accept/hold public deposits.

(b):- RBI have further reported that the companies which are allowed to accept deposits are operating Fixed Deposit Schemes for a period ranging between 12 months and 60 months. These are not recurring scheme in collaboration with the financially weaker sections of the society. However, two registered Residuary Non-Banking Companies are accepting deposits, mainly in the form of recurring deposit accounts.

(c):- National Housing Bank (NHB) have reported that out of the Housing Finance Companies (HFCs), only one is operating Recurring Deposit Scheme which provides for a Soft term loan for housing purposes on successful completion of the savings period.

(d):- Yes, Sir.

(e):- NHB have further reported that public deposits are unsecured in nature and are covered by the contract entered between the company and the Depositors. However, in case of any deficiency of the HFC in servicing its deposits, the depositors may approach various forums available under the Law for relief.

(f):- Comprehensive regulatory framework has been put in place which is aimed at protecting the interests of the depositors and ensuring that NBFCs function on sound and healthy lines. The regulatory framework includes, inter-alia, compulsory registration, maintenance of liquid assets, transfer of at least 20% of net profit to reserve fund and empowering RBI to issue directions to NBFCs. RBI takes various actions against errant NBFCs for various defaults and contravention of provisions of RBI Act and directions issued thereunder. Government has introduced Financial Companies Regulation Bill, 2000 in the Lok Sabha on 13th December, 2000. The Bill was referred to Standing Committee on Finance which gave its report to the Hon'ble Speaker on 30th June, 2003. The Report is under examination of the Government.